

CITY OF ACKLEY, IOWA  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
& SUPPLEMENTAL INFORMATION  
SCHEDULE OF FINDINGS  
June 30, 2006

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**City of Ackley, Iowa**

**Officials**

<u>Name</u>	<u>Title</u> <b>(Before January 2006)</b>	<u>Term Expires</u>
Glenn Boheman	Mayor	Jan 2006
Lance Meyer	Mayor Pro tem	Jan 2006
Allan Kuiper	Council Member	Jan 2006
Bonnie Wiederkehr	Council Member	Jan 2006
Bart Schneck	Council Member	Jan 2008
Randy Eichmeier	Council Member	Jan 2008
<b>(After January 2006)</b>		
James Daggs	Mayor	Jan 2008
Randy Eichmeier	Mayor Pro tem	Jan 2008
Lance Meyer	Council Member	Jan 2010
Bart Schneck	Council Member	Jan 2008
Barry Hofmeister	Council Member	Jan 2010
Korey Meinders	Council Member	Jan 2010
Michael Nuss	City Administrator	Indefinite
Carol A Williams, CMC	City Clerk	Jan 2007
Cyndee Roskens	Deputy City Clerk	Jan 2007
Bob Muhlenbruch	Attorney	Jan 2007

## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Ackley, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Ackley's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinions.

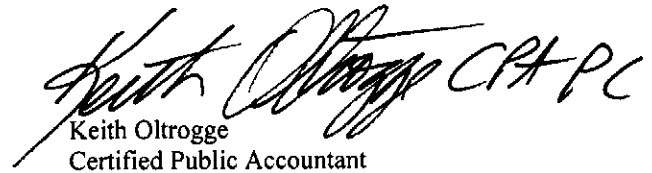
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Ackley as of June 30, 2006, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, I have also issued my report dated November 28, 2006 on my consideration of the City of Ackley's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 8 and 19 through 20 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ackley's basic financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other auditors previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the one year ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements prepared on the cash basis of accounting.

 CFA PC  
Keith Oltrogge  
Certified Public Accountant

November 28, 2006

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of Ackley provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. I encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2006 FINANCIAL HIGHLIGHTS**

- Revenues of the City's governmental activities increased 3.6% or approximately \$48,000 from fiscal 2005 to fiscal 2006. Property tax and charges for service revenues increased approximately \$48,000 and \$12,000, respectively, however, tax intergovernmental revenues decreased \$68,400.
- Disbursements increased 7.1%, or approximately \$106,000, in fiscal 2006 from fiscal 2005. Public safety, public works, culture and recreation, debt service and capital projects disbursements increased approximately \$2,000, \$25,000, \$78,000, \$3,000 and \$47,000, respectively, while community and economic development disbursements decreased approximately \$3,000.
- The City's total cash basis net assets decreased 9.6%, or approximately \$189,000 from June 30, 2005 to June 30, 2006. Of this amount, the assets of the governmental activities decreased approximately \$153,000 and the assets of the business type activities decreased by approximately \$36,000.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the non-major governmental funds.

### **Basis of Accounting**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2. Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains six Enterprise Funds to provide separate information for the water and sewer funds considered to be major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, from \$1,645,369 to \$1,492,149. The analysis that follows focuses on the changes in cash balances for governmental activities.

### Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)

	Year Ended June 30,	
	2006	2005
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 391	\$ 365
Operating grants, contributions and restricted interest	170	179
Capital grants, contributions and restricted interest	-	72
General receipts:		
Property tax	503	455
Local option sales tax	137	121
Unrestricted investment earnings	87	81
Other general receipts	52	18
Bond proceeds	-	245
Bond issuing costs	-	-6
Total receipts	<u>\$ 1,340</u>	<u>\$ 1,530</u>
Disbursements:		
Public safety	\$ 419	\$ 417
Public works	347	321
Health and social services	3	3
Culture and recreation	188	110
Community and economic development	3	64
General government	107	95
Debt service	207	203
Capital projects	219	173
Transfers, net	-	1
Total disbursements and transfers	<u>\$ 1,493</u>	<u>\$ 1,387</u>
Increase (decrease) in cash basis net assets	\$ -153	\$ 143
Cash basis net assets beginning of year	<u>1,645</u>	<u>1,502</u>
Cash basis net assets end of year	<u>\$ 1,492</u>	<u>\$ 1,645</u>

The City's total receipts, excluding bond proceeds from 2005, for governmental activities, increased by 3.7%, or \$49,000. The total cost of all programs and services increased by approximately \$106,000, or 7.1%, with no new programs added this year. The increase in receipts was primarily the result of an increase in property taxes.



The cost of all governmental activities this year was \$1,492,998 compared to \$1,386,562 last year. However, as shown in the Statement of Activities and Net Assets on page 9, the amount taxpayers ultimately financed for these activities was only \$931,807 because some of the cost was paid by those who directly benefited from the programs (\$390,850) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$170,341). Overall, the City's governmental activities receipts, including governmental aid and fees for service, increased in 2006 from approximately \$1,291,000 to approximately \$1,340,000, excluding the bond proceeds in 2005. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$640,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

**Changes in Cash Basis Net Assets of Business Type Activities**  
(Expressed in Thousands)

	Year ended June 30,	
	2006	2005
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 154	\$ 141
Sewer utility	129	124
Storm sewer utility	40	39
Other	3	3
General receipts:		
Unrestricted interest on investments	-	1
Miscellaneous	12	-
Transfers, net	-	1
Total receipts and transfers	\$ 338	\$ 309
Disbursements and transfers:		
Water	\$ 169	\$ 236
Sewer utility	199	91
Storm sewer utility	5	1
Other	1	1
Total disbursements	\$ 374	\$ 329
Increase (decrease) in cash balance	\$ -36	\$ -20
Cash basis net assets beginning of year	336	356
Cash basis net assets end of year	\$ 300	\$ 336

Total business type activities receipts for the fiscal year were \$338,325 compared to \$309,177 last year. This increase was due primarily to increased receipts in the sewer fund. The cash balance decreased by approximately \$36,000 from the prior year. Total disbursements for the fiscal year increased by 12% to a total of \$44,936.

### INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Ackley completed the year, its governmental funds reported a combined fund balance of \$1,492,149, a decrease of more than \$153,000 below last year's total of \$1,645,369. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$59,313 from the prior year to -\$332,912.
- The Road Use Tax Fund cash balance decreased by \$57,002 to \$140,416 during the fiscal year. This decrease was attributable to administrative payroll.
- The Capital Reserve Endowment Fund cash balance decreased by \$1,647 to \$930,425 during the year ended June 30, 2006. This was due to the investments of the fund earning less in interest than was needed to make the debt payments.

- The Debt Service Fund cash balance increased by \$9,092 to \$37,990 during the fiscal year.
- The Capital Projects Fund cash balance decreased by \$115,288 to \$232,121 during the year ended June 30, 2006.

### **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund cash balance decreased by \$11,112 to -\$135,015, due primarily to water tower repairs, tower painting, and water main repairs.
- The Water Improvement Reserve cash balance remained the same at \$109,373 during the fiscal year. No activity took place during the year.
- The Sewer Utility Fund cash balance decreased by \$62,017 to \$174,179, due to capital improvements.
- The Storm Sewer Utility Fund cash balance increased by \$35,391 to \$135,863, due primarily to storm sewer rates.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget once. The amendment was approved on May 22, 2006, and resulted in the increase of several disbursement categories.

### **DEBT ADMINISTRATION**

At June 30, 2006, the City had \$1,355,000 in bonds and other long-term debt, compared to \$1,560,000 in 2005, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	June 30, 2006	2005
General obligation bonds	\$ 960	\$ 1,070
Revenue notes	395	490
Total	\$ 1,355	\$ 1,560

Debt decreased as a result of principal and interest payments being made as scheduled. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$960,000 is significantly below its constitutional debt limit of \$2,393,008.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City of Ackley elected and appointed officials and citizens considered many factors when setting the fiscal year 2006 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy.

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Cindee Roskens, City Clerk, City of Ackley.

## **Basic Financial Statements**

**City of Ackley, Iowa**

**Statement of Activities and Net Assets – Cash Basis**

**As of and for the year ended June 30, 2006**

		Program Receipts	
		Charges for	Operating Grants, Contributions & Restricted Interest
	Disbursements	Service	
<b>Functions/Programs:</b>			
Governmental activities:			
Public safety	\$ 419,248	\$ 188,038	\$ -
Public works	346,417	129,060	151,459
Health and social services	2,675	-	-
Culture and recreation	188,541	73,752	18,882
Community and economic development	3,000	-	-
General government	107,031	-	-
Debt service	206,600	-	-
Capital projects	219,486	-	-
Total governmental activities	\$ 1,492,998	\$ 390,850	\$ 170,341
Business type activities:			
Water	\$ 168,990	\$ 153,926	\$ -
Sewer utility	199,346	129,076	-
Storm sewer utility	4,857	40,248	-
Other	1,352	2,790	-
Total business type activities	\$ 374,545	\$ 326,040	\$ -
<b>Total</b>	<b>\$ 1,867,543</b>	<b>\$ 716,890</b>	<b>\$ 170,341</b>
<b>General Receipts:</b>			
Property tax levied for:			
General purposes			
Tax increment financing			
Debt service			
Local option sales tax			
Unrestricted interest on investments			
Miscellaneous			
Total general receipts			
Change in cash basis net assets			
Cash basis net assets beginning of year			
Cash basis net assets end of year			
Cash Basis Net Assets			
Restricted:			
Debt service			
Unrestricted			
Total cash basis net assets			

See notes to financial statements.

Net (Disbursements) Receipts and  
Changes in Cash Basis Net Assets

Governmental Activities	Business Type Activities	Total
\$ -231,210	\$ -	\$ -231,210
-65,898	-	-65,898
-2,675	-	-2,675
-95,907	-	-95,907
-3,000	-	-3,000
-107,031	-	-107,031
-206,600	-	-206,600
-219,486	-	-219,486
<u>\$ -931,807</u>	<u>\$ -</u>	<u>\$ -931,807</u>
\$ -	\$ -15,064	\$ -15,064
-	-70,270	-70,270
-	35,391	35,391
-	1,438	1,438
<u>\$ -</u>	<u>\$ -48,505</u>	<u>\$ -48,505</u>
\$ -931,807	\$ -48,505	\$ -980,312
\$ 391,996	\$ -	\$ 391,996
-	-	-
110,915	-	110,915
137,099	-	137,099
87,052	-	87,052
51,525	12,195	63,720
<u>\$ 778,587</u>	<u>\$ 12,195</u>	<u>\$ 790,782</u>
\$ -153,220	\$ -36,310	\$ -189,530
1,645,369	336,059	1,981,428
<u>\$ 1,492,149</u>	<u>\$ 299,749</u>	<u>\$ 1,791,898</u>
\$ 37,990	\$ -	\$ 37,990
1,454,159	299,749	1,753,908
<u>\$ 1,492,149</u>	<u>\$ 299,749</u>	<u>\$ 1,791,898</u>

**City of Ackley, Iowa**

**Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds**

**As of and for the year ended June 30, 2006**

	Special Revenue		
	General	Road Use Tax	Capital Reserve Endowment
Receipts:			
Property tax	\$ 267,659	\$ -	\$ -
Tax increment financing collections	-	-	-
Use of money and property	38,488	-	64,808
Other city tax	-	-	-
Licenses and permits	3,180	-	-
Intergovernmental	32,579	151,459	-
Charges for service	311,706	-	-
Special assessments	6,146	-	-
Miscellaneous	44,837	3,170	-
Total receipts	\$ 704,595	\$ 154,629	\$ 64,808
Disbursements:			
Operating:			
Public safety	\$ 365,531	\$ -	\$ -
Public works	134,786	211,631	-
Health and social services	2,675	-	-
Culture and recreation	161,992	-	-
Community and economic development	3,000	-	-
General government	107,031	-	-
Debt service	-	-	66,455
Debt reimbursement from Ackley Development Commission	-	-	-
Capital projects	-	-	-
Total disbursements	\$ 775,015	\$ 211,631	\$ 66,455
Excess (deficiency) of receipts over (under) disbursements	\$ -70,420	\$ -57,002	\$ -1,647
Other financing sources (uses):			
Operating transfers in	\$ 151,337	\$ -	\$ -
Operating transfers out	-21,604	-	-
Total other financing sources (uses)	\$ 129,733	\$ -	\$ -
Net change in cash balances	\$ 59,313	\$ -57,002	\$ -1,647
Cash balances beginning of year	-392,225	197,418	932,072
Cash balances end of year	\$ -332,912	\$ 140,416	\$ 930,425
<b>Cash Basis Fund Balances</b>			
Reserved:			
Debt service	\$ -	\$ -	\$ -
Unreserved:			
General fund	-332,912	-	-
Special revenue fund	-	140,416	930,425
Capital projects fund	-	-	-
Permanent fund	-	-	-
Total cash basis fund balances	\$ -332,912	\$ 140,416	\$ 930,425

See notes to financial statements.

Debt Service	Capital Projects	Other Non-major Governmental Funds	Total
\$ 110,915	\$ -	\$ 124,337	\$ 502,911
-	-	-	-
-	-	4,934	108,230
34,275	102,824	-	137,099
-	-	-	3,180
-	-	15,075	199,113
-	-	8,595	320,301
-	-	-	6,146
-	1,374	13,417	62,798
\$ 145,190	\$ 104,198	\$ 166,358	\$ 1,339,778
\$ -	\$ -	\$ 53,717	\$ 419,248
-	-	-	346,417
-	-	-	2,675
-	-	26,549	188,541
-	-	-	3,000
-	-	-	107,031
168,848	-	4,047	239,350
-32,750	-	-	-32,750
-	219,486	-	219,486
\$ 136,098	\$ 219,486	\$ 84,313	\$ 1,492,998
\$ 9,092	\$ -115,288	\$ 82,045	\$ -153,220
\$ -	\$ -	\$ 21,604	\$ 172,941
-	-	-151,337	-172,941
\$ -	\$ -	\$ -129,733	\$ -
\$ 9,092	\$ -115,288	\$ -47,688	\$ -153,220
28,898	347,409	531,797	1,645,369
\$ 37,990	\$ 232,121	\$ 484,109	\$ 1,492,149
\$ 37,990	\$ -	\$ -	\$ 37,990
-	-	-	-332,912
-	-	375,778	1,446,619
-	232,121	54,606	286,727
-	-	53,725	53,725
\$ 37,990	\$ 232,121	\$ 484,109	\$ 1,492,149

**City of Ackley, Iowa**

**Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds**

**As of and for the year ended June 30, 2006**

	<u>Enterprise Funds</u>	
	Water	Water Improvement Reserve
Operating receipts:		
License and permits	\$ 25	\$ -
Charges for service	153,901	-
Miscellaneous	3,942	-
Total operating receipts	<u>\$ 157,868</u>	<u>\$ -</u>
Operating disbursements:		
Business type activities	<u>\$ 142,367</u>	<u>\$ -</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	\$ 15,501	\$ -
Non-operating receipts (disbursements):		
Debt service	<u>-26,623</u>	<u>-</u>
Net change in cash balances	\$ -11,122	\$ -
Cash balances beginning of year	<u>-123,893</u>	<u>109,373</u>
Cash balances end of year	<u>\$ -135,015</u>	<u>\$ 109,373</u>
<b>Cash Basis Fund Balances</b>		
Reserved		
Other	\$ -	\$ 109,373
Unreserved	<u>-135,015</u>	<u>-</u>
Total Cash Basis Fund Balance	<u>\$ -135,015</u>	<u>\$ 109,373</u>

See notes to financial statements.



Enterprise Funds						
Sewer Utility		Storm Sewer Utility		Other Non-major Proprietary Funds		Total
\$	30	\$	-	\$	-	\$ 55
	129,046		40,248		2,790	325,985
	8,253		-		-	12,195
\$	137,329	\$	40,248	\$	2,790	\$ 338,235
\$	174,066	\$	4,857	\$	1,352	\$ 322,642
\$	-36,737	\$	35,391	\$	1,438	\$ 15,593
	-25,280		-		-	-51,903
\$	-62,017	\$	35,391	\$	1,438	\$ -36,310
	236,196		100,472		13,911	336,059
\$	174,179	\$	135,863	\$	15,349	\$ 299,749
\$	-	\$	-	\$	15,349	\$ 124,722
	174,179		135,863		-	175,027
\$	174,179	\$	135,863	\$	15,349	\$ 299,749

**City of Ackley, Iowa**

**Notes to Financial Statements**

**June 30, 2006**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Ackley is a political subdivision of the State of Iowa located in Hardin County. It was first incorporated in 1857 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services.

**A. Reporting Entity**

For financial reporting purposes, the City of Ackley has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City of Ackley has no component units which meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations**

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Hardin County Assessor's Conference Board, Hardin County Emergency Management Commission, and Hardin County Joint E911 Service Board.

**B. Basis of Presentation**

**Government-wide Financial Statements** – The Statement of Activities and Net Assets reports information on all of the non-fiduciary activities of the City. For the most part, the effect of inter-fund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's non-fiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

**Fund Financial Statements** – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

**Special Revenue:**

The Road Use Tax Fund is used to account for road construction and maintenance.

The Capital Reserve Endowment is used to account for the swimming pool investment and principal and interest payments.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund accounts for moneys received for capital projects and the related disbursements.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Water Improvement Reserve Fund accounts for funds reserved for future water repairs and improvements.

The Sewer Utility Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Storm Sewer Utility Fund accounts for the operation and maintenance of the City's storm sewer system.

C. Measurement Focus and Basis of Accounting

The City of Ackley maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the public safety, public works, and culture and recreation functions.

**NOTE 2 – CASH AND POOLED INVESTMENTS**

The City's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2006, the City had the following investments:

Type	Carrying Amount	Fair Value	Maturity
U.S. Treasury bonds	\$974,192	\$1,103,282	May 2016

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$116,543 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest Rate Risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

Credit Risk – The City's investment in the Iowa Public Agency Investment Trust is unrated.

### NOTE 3 – BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation bonds, general obligation notes, and revenue notes indebtedness are as follows:

Year Ending June 30,	General Obligation Bonds and Notes		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$115,000	\$54,875	\$95,000	\$18,400	\$210,000	\$73,275
2008	120,000	48,083	60,000	14,175	180,000	62,258
2009	130,000	40,941	40,000	11,355	170,000	52,296
2010	135,000	33,193	40,000	9,398	175,000	42,591
2011	145,000	25,768	15,000	7,398	160,000	33,166
2012	155,000	17,720	15,000	6,805	170,000	24,525
2013	160,000	9,040	15,000	6,183	175,000	15,223
2014	-	-	15,000	5,538	15,000	5,538
2015	-	-	20,000	4,870	20,000	4,870
2016	-	-	20,000	3,950	20,000	3,950
2017	-	-	20,000	3,000	20,000	3,000
2018	-	-	20,000	2,020	20,000	2,020
2019	-	-	20,000	1,020	20,000	1,020
Total	\$960,000	\$229,620	\$395,000	\$94,112	\$1,355,000	\$323,732

The resolutions providing for the issuance of the general obligation bonds and notes include the following provisions:

- a) At the option of the City, notes due on the Essential Corporate Purpose issues of April 1, 1995 and May 1, 1999, are subject to redemption and prepayment in any order of maturity beginning June 1, 2005, and on any interest payment date thereafter, at a price of par plus accrued interest to call date, by giving proper notice.
- b) At the option of the City, notes due on the Essential Corporate Purpose issue of December 1, 1999, are subject to redemption and prepayment in whole or from time to time in part, in any order of maturity beginning June 1, 2007, and within an annual maturity by lot, at a price of par plus accrued interest to call date, by giving proper notice.
- c) At the option of the City, notes due on the Essential Corporate Purpose issue of September 1, 2000, are subject to redemption and prepayment in whole or from time to time in part, in any order of maturity beginning June 1, 2009, and within an annual maturity by lot, at a price of par plus accrued interest to call date, by giving proper notice.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- a) The bonds and notes will only be redeemed from the future earnings of the respective activities and bond/note holders hold a lien on the future earnings of the funds.
- b) The City Council has by Resolution dated October 7, 1992, pledged all interest and other revenues generated from funds contained in the Capital Reserve Endowment Trust Fund established by the Council by resolution dated December 8, 1987 to the repayment of debt and obligations incurred for the Ackley Swimming Pool Project.
- c) At the option of the city, notes due on the Water Revenue Capital Loan Note issue of September 1, 2000, are subject to redemption and prepayment in whole or from time to time in part, in any order of maturity beginning June 1, 2007, and within an annual maturity by lot, at a price of par plus accrued interest to call date, by giving proper notice.
- d) At the option of the City, notes due on the Sewer Revenue Capital Loan Note issue of November 1, 2004 are subject to redemption and prepayment in whole or from time to time in part, in any order of maturity beginning June 1, 2013, and within an annual maturity by lot, at a price of par plus accrued interest to call date, by giving proper notice.

#### NOTE 4 – PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing, multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered salary except for police employees, in which case the percentages are 6.16% and 9.23%, respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2006 was \$25,116, equal to the required contribution for the year.

#### NOTE 5 – COMPENSATED ABSENCES

City employees receive a limited amount of vacation hours to be used during the current fiscal year. Employees may carry over their vacation hours to the following fiscal year only through mayor approval. City employees also accumulate a limited amount of earned but unused compensatory time and sick leave hours for subsequent use or for payment upon retirement only. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensatory time and sick leave payments payable to employees at June 30, 2006, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Sick leave	\$61,573
Compensatory time	318
	<u>\$61,891</u>

This liability has been computed based on rates of pay as June 30, 2006.

#### NOTE 6 – INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Employee benefits	\$116,551
	Emergency levy	7,786
	Ambulance expendable trust	27,000
		<u>\$151,337</u>
Special Revenue:	Special Revenue:	
Police car expendable trust	General	\$3,500
Fire expendable trust	General	4,144
Ambulance expendable trust	General	13,960
		<u>\$21,604</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

#### NOTE 7 – INDUSTRIAL DEVELOPMENT REVENUE BONDS

The City has issued \$830,000 of solid waste revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City. The bonds outstanding at June 30, 2006 were \$490,000.

## **NOTE 8 – RISK MANAGEMENT**

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 531 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2006 were \$28,149.

The Pool uses reinsurance and excess risk sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with Iowa Municipalities Workers' Compensation Association (IMWCA). The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### **NOTE 9 – DEFICIT BALANCES**

At June 30, 2006, the General Fund, Special Revenue Funds – Tourism Foundation Trust and Save the Depot Accounts, Capital Project Fund – Daycare Project and Enterprise Fund – Water had deficit balances of \$359,912, \$6,245, and \$92,915, \$229, and \$135,015 respectively. The deficits will be eliminated through tax collections and inter-fund transfers.

#### **NOTE 10 – COMMITMENTS**

The City of Ackley has entered into a 28E Agreement with Ackley, Geneva, Wellsburg, Steamboat Rock (AGWSR) Community Schools to provide for services and management of a child care facility serving residents of the Ackley area called Cougar Den Daycare. The City will provide the child care facility. AGWSR Community Schools will pay all of the financial obligations.



## **REQUIRED SUPPLEMENTARY INFORMATION**

**City of Ackley, Iowa**  
**Budgetary Comparison Schedule**  
**of Receipts, Disbursements, and Changes in Balances –**  
**Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds**

**Required Supplementary Information**

**Year ended June 30, 2006**

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 502,911	\$ -
Tax increment financing collections	-	-
Other city tax	137,099	-
Licenses and permits	3,180	55
Use of money and property	108,230	-
Intergovernmental	200,113	-
Charges for service	320,301	325,985
Special assessments	6,146	-
Miscellaneous	61,798	12,195
Total receipts	<u>\$ 1,339,778</u>	<u>\$ 338,235</u>
Disbursements:		
Public safety	\$ 419,248	\$ -
Public works	346,417	-
Health and social services	2,675	-
Culture and recreation	188,541	-
Community and economic development	3,000	-
General government	107,031	-
Debt service	206,600	-
Capital projects	219,486	-
Business type activities	-	374,545
Total disbursements	<u>\$ 1,492,998</u>	<u>\$ 374,545</u>
Excess (deficiency) of receipts over (under) disbursements	\$ -153,220	\$ -36,310
Balances beginning of year	1,645,369	336,059
Balances end of year	<u>\$ 1,492,149</u>	<u>\$ 299,749</u>

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
\$ 502,911	\$ 461,939	\$ 461,939	\$ 40,972
-	-	-	-
137,099	139,031	139,031	-1,932
3,235	3,850	3,850	-615
108,230	99,368	99,368	8,862
200,113	170,170	170,170	29,943
646,286	561,645	561,645	84,641
6,146	4,000	4,000	2,146
73,993	47,920	47,920	26,073
\$ 1,678,013	\$ 1,487,923	\$ 1,487,923	\$ 190,090
\$ 419,248	\$ 308,955	\$ 358,425	\$ -60,823
346,417	328,646	328,646	-17,771
2,675	2,500	2,700	25
188,541	148,034	162,034	-26,507
3,000	14,681	25,050	22,050
107,031	109,833	109,833	2,802
206,600	206,713	206,713	113
219,486	159,000	219,490	4
374,545	298,264	419,590	45,045
\$ 1,867,543	\$ 1,576,626	\$ 1,832,481	\$ -35,062
\$ -189,530	\$ -88,703	\$ -344,558	\$ 155,028
1,981,428	1,831,174	1,831,174	150,254
\$ 1,791,898	\$ 1,742,471	\$ 1,486,616	\$ 305,282

**City of Ackley, Iowa**

**Notes to Required Supplementary Information – Budgetary Reporting**

**June 30, 2006**

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Fund and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$255,855. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the Public Safety, Public Works and Culture and Recreation functions.

## **Other Supplementary Information**

**City of Ackley, Iowa**

**Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Non-major Governmental Funds**

**Year ended June 30, 2006**

	Special Revenue					
	Employee Benefits	Emergency Levy	Police Car Expendable Trust	Ambulance Expendable Trust	Fire Expendable Trust	Health Insurance Trust
Receipts:						
Property tax	\$116,551	\$7,786	\$-	\$-	\$-	\$-
Use of money and property	-	-	-	900	126	-
Intergovernmental	-	-	-	-	12,473	-
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	-	6,867	2,750	3,800
Total receipts	\$116,551	\$7,786	\$-	\$7,767	\$15,349	\$3,800
Disbursements:						
Operating:						
Public safety	\$-	\$-	\$-	\$-	\$53,717	\$-
Culture and recreation	-	-	-	-	-	-
Debt service	-	-	-	-	4,047	-
Total disbursements	\$-	\$-	\$-	\$-	\$57,764	\$-
Excess (deficiency) of receipts over (under) disbursements	\$116,551	\$7,786	\$-	\$7,767	-\$42,415	\$3,800
Other financing sources (uses):						
Operating transfers in	\$-	\$-	\$3,500	\$13,960	\$4,144	\$-
Operating transfers out	-116,551	-7,786	-	-27,000	-	-
Total other financing sources (uses)	-\$116,551	-\$7,786	\$3,500	-\$13,040	\$4,144	\$-
Net change in cash balances	\$-	\$-	\$3,500	-\$5,273	-\$38,271	\$3,800
Cash balances beginning of year	-	-	3,519	81,231	139,630	-
Cash balances end of year	\$-	\$-	\$7,019	\$75,958	\$101,359	\$3,800
Cash Basis Fund Balances:						
Unreserved:						
Special revenue funds	\$-	\$-	\$7,019	\$75,958	\$101,359	\$3,800
Capital projects funds	-	-	-	-	-	-
Permanent fund	-	-	-	-	-	-
Total cash basis fund balances	\$-	\$-	\$7,019	\$75,958	\$101,359	\$3,800

See accompanying independent auditor's report.

Library Board	Special Revenue				Capital Projects		Permanent Cemetery Perpetual Care	Total
	Swimming Pool Trust	Tourism Foundation Trust	Save The Depot	Tax Increment Financing	Daycare Project	Street Project		
\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$124,337
318	26	3,564	-	-	-	-	-	4,934
2,602	-	-	-	-	-	-	-	15,075
-	-	8,595	-	-	-	-	-	8,595
-	-	-	-	-	-	-	-	13,417
\$2,920	\$26	\$12,159	\$-	\$-	\$-	\$-	\$-	\$166,358
\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$53,717
748	-	15,433	10,368	-	-	-	-	26,549
-	-	-	-	-	-	-	-	4,047
\$748	\$-	\$15,433	\$10,368	\$-	\$-	\$-	\$-	\$84,313
\$2,172	\$26	-\$3,274	-\$10,368	\$-	\$-	\$-	\$-	\$82,045
\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$21,604
-	-	-	-	-	-	-	-	-151,337
\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	-\$129,733
\$2,172	\$26	-\$3,274	-\$10,368	\$-	\$-	\$-	\$-	-\$47,688
-	4,265	-2,971	-82,547	280,339	-229	54,835	53,725	531,797
\$2,172	\$4,291	-\$6,245	-\$92,915	\$280,339	-\$229	\$54,835	\$53,725	\$484,109
\$2,172	\$4,291	-\$6,245	-\$92,915	\$280,339	\$-	\$-	\$-	\$375,778
-	-	-	-	-	-229	54,835	-	54,606
-	-	-	-	-	-	-	53,725	53,725
\$2,172	\$4,291	-\$6,245	-\$92,915	\$280,339	-\$229	\$54,835	\$53,725	\$484,109

**City of Ackley, Iowa**  
**Statement of Indebtedness**  
**Year ended June 30, 2006**

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Bonds and Notes:			
Essential corporate purpose	April 1, 1995	5.35-6.25%	\$435,000
Essential corporate purpose	May 1, 1999	5.70-6.50	250,000
Essential corporate purpose	December 1, 1999	4.70-5.50	190,000
Essential corporate purpose	September 1, 2000	5.00-5.65	760,000
Revenue Notes:			
Sewer revenue capital loan notes	November 1, 2004	2.45-5.10%	\$245,000
Water revenue capital loan notes	September 1, 2000	5.15-5.75	190,000
Swimming pool revenue capital loan notes	March 27, 2003	2.75-4.75	250,000
Total indebtedness			

See accompanying independent auditor's report.



## City of Ackley, Iowa

**Statement of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Non-major Proprietary Funds**

**As of and for the Year ended June 30, 2006**

	Water Reserve Sinking	Water Deposits	Total
Operating receipts:			
Charges for services	\$ -	\$ 2,790	\$ 2,790
Operating disbursements:			
Business type activities	-	1,352	1,352
Net change in cash balances	\$ -	\$ 1,438	\$ 1,438
Cash balances beginning of year	6,511	7,400	13,911
Cash balances end of year	\$ 6,511	\$ 8,838	\$ 15,349
Cash Basis Fund Balances Reserved:			
Other	\$ 6,511	\$ 8,838	\$ 15,349

See accompanying independent auditor's reports.

**City of Ackley, Iowa**  
**Bond and Note Maturities**  
**June 30, 2006**

Year Ending June 30,	General Obligation Bonds and Notes			
	Essential Corporate Purpose		Essential Corporate Purpose	
	Issued April 1, 1995		Issued May 1, 1999	
	Interest Rate	Amount	Interest Rate	Amount
2007	6.25%	\$40,000	6.35%	\$30,000
2008	6.25	45,000	6.40	30,000
2009	6.25	45,000	6.50	30,000
2010		-		-
2011		-		-
2012		-		-
2013		-		-
		<u>\$130,000</u>		<u>\$90,000</u>

Year Ending June 30,	Revenue Notes			
	Swimming Pool Revenue		Water Revenue	
	Capital Loan Notes		Capital Loan Notes	
	Issued March 27, 2003		Issued September 1, 2000	
	Interest Rate	Amount	Interest Rate	Amount
2007	4.40%	\$60,000	5.60%	\$20,000
2008	4.75	25,000	5.65	20,000
2009		-	5.70	25,000
2010		-	5.75	25,000
2011		-		-
2012		-		-
2013		-		-
2014		-		-
2015		-		-
2016		-		-
2017		-		-
2018		-		-
2019		-		-
		<u>\$85,000</u>		<u>\$90,000</u>

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$170,000	\$-	\$40,000	\$130,000	\$10,605	\$-
115,000	-	25,000	90,000	7,350	-
110,000	-	20,000	90,000	5,875	-
675,000	-	25,000	650,000	37,465	-
\$1,070,000	\$-	\$110,000	\$960,000	\$61,295	\$-
\$235,000	\$-	\$15,000	\$220,000	\$9,880	\$-
110,000	-	20,000	90,000	6,223	-
145,000	-	60,000	85,000	6,167	-
\$490,000	\$-	\$95,000	\$395,000	\$22,270	\$-
\$1,560,000	\$-	\$205,000	\$1,355,000	\$83,565	\$-

General Obligation Bonds and Notes				
Essential Corporate Purpose		General Corporate Purpose		Total
Issued December 1, 1999		Issued September 1, 2000		
Interest Rate	Amount	Interest Rate	Amount	
5.25%	\$20,000	5.35%	\$25,000	\$115,000
5.30	20,000	5.40	25,000	120,000
5.40	25,000	5.45	30,000	130,000
5.50	25,000	5.50	110,000	135,000
	-	5.55	145,000	145,000
	-	5.60	155,000	155,000
	-	5.65	160,000	160,000
	<u>\$90,000</u>		<u>\$650,000</u>	<u>\$960,000</u>

Revenue Notes		
Sewer Revenue		
Capital Loan Notes		
Issued November 1, 2004		
Interest Rate	Amount	Total
3.10%	\$15,000	\$95,000
3.35	15,000	60,000
3.55	15,000	40,000
3.75	15,000	40,000
3.95	15,000	15,000
4.15	15,000	15,000
4.30	15,000	15,000
4.45	15,000	15,000
4.60	20,000	20,000
4.75	20,000	20,000
4.90	20,000	20,000
5.00	20,000	20,000
5.10	20,000	20,000
	<u>\$220,000</u>	<u>\$395,000</u>

## City of Ackley, Iowa

Schedule of Receipts By Source and Disbursements By Function –  
All Governmental Funds

## For the Last Three Years

	2006	2005	2004 (Unaudited)
<b>Receipts:</b>			
Property tax	\$ 502,911	\$ 454,644	\$ 433,474
Tax increment financing collection	-	377	105,943
Other city tax	137,099	121,243	133,458
Licenses and permits	3,180	4,282	3,292
Use of money and property	108,230	101,316	100,513
Intergovernmental	200,113	268,536	222,447
Charges for service	320,301	308,441	263,954
Special assessments	6,146	3,312	6,355
Miscellaneous	61,798	29,224	84,531
<b>Total</b>	<b>\$ 1,339,778</b>	<b>\$ 1,291,375</b>	<b>\$ 1,353,967</b>
<b>Disbursements:</b>			
Operating:			
Public safety	\$ 419,248	\$ 417,185	\$ 320,186
Public works	346,417	321,157	265,064
Health and social services	2,675	3,400	2,520
Culture and recreation	188,541	110,379	240,125
Community and economic development	3,000	64,215	3,000
General government	107,031	94,400	132,194
Debt service	206,600	203,199	138,655
Capital projects	219,486	172,627	153,438
<b>Total</b>	<b>\$ 1,492,998</b>	<b>\$ 1,386,562</b>	<b>\$ 1,255,182</b>

**Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards**

Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Ackley, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents and have issued my report thereon dated November 28, 2006. My report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed an unqualified opinion. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Ackley's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the City of Ackley's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I believe items II-A-06 and II-B-06 are material weaknesses.

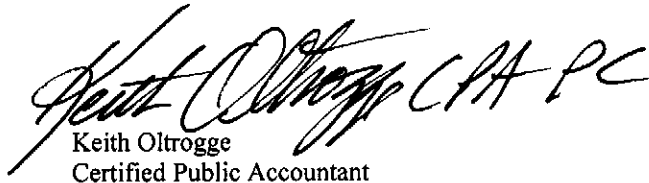
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Ackley's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Ackley and other parties to whom the City of Ackley may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Ackley during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Keith Oltrogge  
Certified Public Accountant

November 28, 2006



**City of Ackley, Iowa**  
**Schedule of Findings**  
**Year ended June 30, 2006**

**Part I – Summary of the Independent Auditor's Results:**

- a) An unqualified opinion was issued on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting.
- b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- c) The audit did not disclose any noncompliance which is material to the financial statements.

**Part II – Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

- II-A-06 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that one person has control over most of the accounting and banking functions.

Recommendation – I realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- II-A-06 Treasurer's Report – The financial statement report, "Treasurer's report reconciliation to the clerk's balance" at June 30, 2006 does not agree with the actual cash balance per the bank reconciliations.

Recommendation – The treasurer's report should be corrected so the management of the City will have an accurate accounting of each individual fund.

Response – We will do this.

Conclusion – Response accepted.

**City of Ackley, Iowa**  
**Schedule of Findings**  
**Year ended June 30, 2006**

**Part III: Findings and Questioned Costs for Federal Awards:**

Not applicable.

**Part IV: Other Findings Related to Statutory Reporting:**

IV-A-06 Certified Budget – Disbursements during the year ended June 30, 2006 exceeded the amount budgeted in several different functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will do this.

Conclusion – Response accepted.

IV-B-06 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-06 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-06 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
James Daggs, Mayor Owner Ackley Publishing	Publications	\$850
Randy Eichmeier, Mayor Pro Tem Officer, Eichmeier Motor	Repairs	\$2,922

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the Mayor and Mayor Pro Tem do not appear to represent conflicts of interest.

IV-E-06 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-06 Council Minutes – No transactions were found that I believe should have been approved in the Council minutes but were not.

Although minutes of Council proceedings were published, they were not always published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should comply with the Code of Iowa and publish minutes as required.

Response – We will do this.

Conclusion – Response accepted.

IV-G-06 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

IV-H-06 Financial Condition – The General Fund, Special Revenue Fund – Tourism Foundation Trust and Save the Depot accounts, Capital Projects Fund – Daycare Project, and Enterprise Fund – Water Accounts had deficit balances of \$332,912, \$6,245, \$92,915, \$229, and \$135,015, respectively, at June 30, 2006.

Recommendation – The City should continue to monitor these accounts and investigate alternatives to eliminate the deficits in order to return these accounts to a sound financial condition.

Response – The deficits will be monitored in the future.

Conclusion – Response accepted.